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APAC RESOURCES
APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

(Warrant Code: 1074)

**ANNOUNCEMENT OF THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021**

The board of directors (the “**Board**”) of APAC Resources Limited (the “**Company**” or “**APAC**”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 December 2021, which has been reviewed by the auditor of the Group and the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2021

		Six months ended	
		31 December	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue			
Trading of goods		61,835	283,184
Interest income		21,082	23,414
Total revenue	2	82,917	306,598
Cost of sales		(25,803)	(253,177)
Gross profit		57,114	53,421
Other gains and losses	4	557,791	415,621
Other income		30,978	12,776
(Impairment loss)/reversal of impairment loss on interests in associates, net	9	(759,867)	580,014
Administrative expenses		(45,354)	(34,196)
Finance costs	5(a)	(1,203)	(92)
Share of results of associates		(105,439)	151,659
(LOSS)/PROFIT BEFORE TAXATION	5	(265,980)	1,179,203
Income tax expense	6	(9,349)	(1,736)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(275,329)	1,177,467
(LOSS)/EARNINGS PER SHARE (EXPRESSED IN HK CENTS)			
–Basic	8	(22.6)	96.6
–Diluted		(22.6)	96.6

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 31 December 2021

	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(275,329)	1,177,467
Other comprehensive (expense)/income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of associates	(59,543)	186,811
Exchange differences on translation of other foreign operations	6,165	4,807
Share of other comprehensive (expense)/income of associates, net of related income tax	(558)	911
	(53,936)	192,529
Item that will not be reclassified to profit or loss:		
Share of other comprehensive expense of an associate, net of related income tax	(340)	(335)
Other comprehensive (expense)/income for the period, net of income tax	(54,276)	192,194
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	(329,605)	1,369,661

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		31 December 2021	30 June 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		5,897	4,299
Interests in associates	9	1,623,919	2,404,381
Financial assets at fair value through profit or loss (“FVTPL”)		584,697	208,234
Loan receivables		354,100	133,170
Loan notes		–	3,924
Rental deposits	10	324	239
Deferred tax assets		–	1,615
		2,568,937	2,755,862
Current assets			
Inventories		33,604	33,604
Trade and other receivables	10	47,477	121,070
Financial assets at FVTPL		1,501,050	1,227,912
Loan receivables		21,257	360,680
Loan notes		3,940	–
Pledged bank deposits		–	18,266
Bank balances and cash		587,913	420,389
		2,195,241	2,181,921
TOTAL ASSETS		4,764,178	4,937,783

		31 December 2021	30 June 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	1,302,126	1,218,894
Other reserves		365,005	402,635
Accumulated profits		<u>2,666,310</u>	<u>3,202,064</u>
		<u>4,333,441</u>	<u>4,823,593</u>
Non-current liabilities			
Lease liabilities		2,008	1,238
Deferred tax liability		<u>7,702</u>	<u>7,702</u>
		<u>9,710</u>	<u>8,940</u>
Current liabilities			
Trade and other payables	11	29,973	99,837
Dividend payable		260,425	–
Other loan		118,771	–
Tax payable		9,271	3,232
Lease liabilities		<u>2,587</u>	<u>2,181</u>
		<u>421,027</u>	<u>105,250</u>
TOTAL LIABILITIES		<u>430,737</u>	<u>114,190</u>
TOTAL EQUITY AND LIABILITIES		<u>4,764,178</u>	<u>4,937,783</u>
NET CURRENT ASSETS		<u>1,774,214</u>	<u>2,076,671</u>
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>4,333,441</u>	<u>4,823,593</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 31 December 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial information have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The interim condensed consolidated financial information have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the preparation of condensed consolidated financial information for the six months ended 31 December 2021 are the same as those presented in the Group’s annual financial statements for the year ended 30 June 2021.

Application of New and Revised Hong Kong Financial Reporting Standards

In the current reporting period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 July 2021 for the preparation of the Group’s interim condensed consolidated financial information:

Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

None of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current reporting period.

Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”). The amendments do not have an impact on these financial information as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, Covid-19 – related rent concessions beyond 30 June 2021 (2021 amendment)

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

2. REVENUE

- (a) Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Trading of goods		
– Commodities (Iron ore)	61,835	283,184
Revenue from other sources		
Interest income under effective interest method		
– Loan receivables	20,991	23,324
– Loan notes	91	90
	21,082	23,414
Total revenue	82,917	306,598

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in notes 3(a) and 3(b) respectively.

- (b) All sales contracts with customers within the scope of HKFRS 15 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these contracts for the remaining unsatisfied performance obligations is not disclosed.

3. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Company's executive directors (the chief operating decision maker) for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

1. Commodity business (trading of commodities);
2. Resource investment (trading of and investment in listed and unlisted securities of energy and natural resources companies); and
3. Principal investment and financial services (provision of loan financing and investments in loan note, convertible notes and other financial assets and receiving interest income from these financial assets).

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Company's executive directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment (loss)/profit is loss and earnings of each segment without allocation of share of results of associates, reversal of impairment loss/(impairment loss) on interests in associates, loss arising from deemed disposal of partial interest in an associate, gain arising from acquisition of additional interests in an associate, net gain/(loss) arising from changes in fair value of financial assets at FVTPL not held within the trading portfolios, other corporate income and gains, central administrative expenses and other corporate losses, and central finance costs.

Segment assets include all assets of operating and reportable segments other than interests in associates, certain property, plant and equipment, certain loan notes and financial assets at FVTPL not held within the trading portfolios not managed under principal investment and financial services segment, financial assets at FVTPL not held within the trading portfolios not managed under resource investment segment, certain other receivables and certain bank balances and cash.

Segment liabilities include provisions and trade and other payables and lease liabilities attributable to the activities of the individual segments and borrowings managed directly by the segments.

In addition to receiving segment information concerning segment profit/(loss), the Board is provided with segment information concerning revenue, interest income (included in other income), depreciation, dividend income from financial assets at FVTPL, gain/(loss) arising from changes in fair value of financial assets mandatorily measured at FVTPL, net, (impairment loss)/reversal of impairment loss on loan receivables, net, (loss)/gain arising from changes in fair value of provisional pricing arrangements in relation to trading of commodities, net, finance costs, net foreign exchange gain/(loss), income tax and additions to non-current segment assets (other than financial instruments and deferred tax assets) used by the segments in their operations.

The accounting policies of the operating segments are the same as the Group's accounting policies.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's executive directors for the purposes of resource allocation and assessment of segment performance for the six months ended 31 December 2021 and 2020 is set out below.

Six months ended 31 December 2021

	Commodity business HK\$'000 (Unaudited)	Resource investment HK\$'000 (Unaudited)	Principal investment and financial services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:				
Disaggregated by timing of revenue recognition				
– Point in time	61,835	–	–	61,835
– Revenue from other sources:				
Interest income	–	–	21,082	21,082
Revenue from external customers	<u>61,835</u>	<u>–</u>	<u>21,082</u>	<u>82,917</u>
Gross sales proceeds from resource investment	<u>–</u>	<u>1,872,906</u>	<u>–</u>	<u>1,872,906</u>
Segment results	50,192	212,830	24,843	287,865
Share of results of associates				(105,439)
Impairment loss on interests in associates				(759,867)
Gain arising from acquisition of additional interests in an associate				5,457
Loss arising from deemed disposal of partial interest in an associate				(2,390)
Gain arising from changes in fair value of financial assets at FVTPL not held within the trading portfolios, net				341,728
Other corporate income and gains				329
Central administrative expenses and other corporate losses				(32,488)
Central finance costs				(1,175)
Consolidated loss before taxation				<u>(265,980)</u>

	At 31 December 2021			
	Commodity	Resource	Principal	
	business	investment	investment	
	and	and	and	
	financial	services	services	
	HK\$'000	HK\$'000	HK\$'000	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	150,414	1,774,460	380,823	2,305,697
Interests in associates				1,623,919
Unallocated head office and corporate assets				
– Financial assets at FVTPL not held within the trading portfolios				584,697
– Bank balances and cash				246,306
– Other unallocated corporate assets				3,559
				<hr/>
Consolidated total assets				4,764,178
				<hr/>
Segment liabilities	20,999	7,702	818	29,519
Unallocated head office and corporate liabilities				
– Dividend payable				260,425
– Other loan				118,771
– Other unallocated corporate liabilities				22,022
				<hr/>
Consolidated total liabilities				430,737
				<hr/>

Six months ended 31 December 2020

	Commodity business <i>HK\$'000</i> (Unaudited)	Resource investment <i>HK\$'000</i> (Unaudited)	Principal investment and financial services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue:				
Disaggregated by timing of revenue recognition				
– Point in time	283,184	–	–	283,184
– Revenue from other sources:				
Interest income	–	–	23,414	23,414
	<u>283,184</u>	<u>–</u>	<u>23,414</u>	<u>306,598</u>
Revenue from external customers				
	<u>283,184</u>	<u>–</u>	<u>23,414</u>	<u>306,598</u>
Gross sales proceeds from resource investment	–	980,425	–	980,425
	<u>–</u>	<u>980,425</u>	<u>–</u>	<u>980,425</u>
Segment results	28,658	336,641	58,249	423,548
Share of results of associates				151,659
Reversal of impairment loss on interest in an associate, net				580,014
Loss arising from deemed disposal of partial interest in an associate				(1,911)
Gain arising from changes in fair value of financial assets at FVTPL not held within the trading portfolios, net				41,326
Other corporate income and gains				11,806
Central administrative expenses and other corporate losses				(27,172)
Central finance costs				(67)
				<u>1,179,203</u>
Consolidated profit before taxation				<u>1,179,203</u>

	At 30 June 2021			
	Commodity business <i>HK\$'000</i> (Audited)	Resource investment <i>HK\$'000</i> (Audited)	Principal investment and financial services <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	219,340	1,472,640	502,210	2,194,190
Interests in associates				2,404,381
Unallocated head office and corporate assets				
– Financial assets at FVTPL not held within the trading portfolios				208,234
– Bank balances and cash				126,173
– Other unallocated corporate assets				4,805
Consolidated total assets				<u>4,937,783</u>
Segment liabilities	37,576	16,884	1,635	56,095
Unallocated head office and corporate liabilities				<u>58,095</u>
Consolidated total liabilities				<u>114,190</u>

There are no inter-segment revenue during the six months ended 31 December 2021 and 2020.

(b) **Geographical information**

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and interests in associates. The geographical location of customers is based on the location of goods delivered; the Group's interest income derived from loan receivables in respect of principal investment and financial services is analysed by the location where the loan financing is provided; and the Group's interest income derived from loan notes in respect of principal investment and financial services is analysed by the location where these investments are managed by the Group. In the case of non-current assets (excluding financial assets and deferred tax assets) which is presented based on geographical location of assets (where the property, plant and equipment are located and where the associates are incorporated/listed).

	Revenue from external customers		Non-current assets	
	Six months ended 31 December		At 31 December	At 30 June
	2021	2020	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong (place of domicile)	8,615	145,430	103,807	3,788
The PRC	71,914	153,086	50,015	45,377
Australia	2,388	5,142	1,455,463	2,359,515
Philippines	–	–	20,531	–
Southeast Asia region	–	2,940	–	–
	<u>82,917</u>	<u>306,598</u>	<u>1,629,816</u>	<u>2,408,680</u>

4. **OTHER GAINS AND LOSSES**

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain/(loss) arising from changes in fair value of financial assets mandatorily measured at FVTPL, net:		
– listed equity securities held-for-trading	172,283	272,142
– listed equity securities not held within the trading portfolios	341,090	57,762
– convertible notes	–	(10,314)
– unlisted equity investments	22,374	(6,122)
– derivative financial instruments – warrants	4,829	44,921
Reversal of impairment loss/(impairment loss) on loan receivables, net	404	(6,986)
Gain arising from acquisition of additional interests in an associate	5,457	–
Loss arising from deemed disposal of partial interest in an associate	(2,390)	(1,911)
Gain/(loss) arising from changes in fair value of provisional pricing arrangements in relation to trading of commodities:		
– fair value (loss)/gain on trade receivables designated at FVTPL	(32,545)	3,005
– fair value gain/(loss) on trade payables designated at FVTPL	49,552	(5,411)
Gain arising from modification of loan receivables	1,985	3,412
Gain arising from assignment of a loan receivable	2,855	–
Net foreign exchange (loss)/gain	(8,103)	65,122
Others	–	1
	<u>557,791</u>	<u>415,621</u>

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging the following:

	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest on lease liabilities	93	92
Interest on other loan	1,088	–
Other	22	–
	<u> </u>	<u> </u>
Total interest expense on financial liabilities not at FVTPL	1,203	92
	<u> </u>	<u> </u>
(b) Staff costs (including directors' emoluments) (note (i)):		
Salaries and allowance	24,950	21,925
Contributions to defined contribution retirement plans	177	159
	<u> </u>	<u> </u>
	25,127	22,084
	<u> </u>	<u> </u>
(c) Other items:		
Cost of goods recognised as expense (note (ii))	23,521	253,177
Depreciation charges (note (i))		
– owned property, plant and equipment	242	219
– right-of-use assets	1,790	2,002
Short-term lease expense (note (i))	20	19
	<u> </u>	<u> </u>

Notes:

- (i) Classified under administrative expenses in the condensed consolidated statement of profit or loss. Other major components of administrative expenses include brokerage and custodian fees for investments of HK\$6,517,000 (2020: HK\$3,500,000) and legal, professional and consultancy fees of HK\$4,900,000 (2020: HK\$2,006,000).
- (ii) Cost of inventories includes reversal of write-down of inventories of nil (six months ended 31 December 2020: HK\$8,980,000).

The reversal of write-down of inventories was due to an increase in the estimated net realisable value of iron ores as a result of increase in prevailing selling price.

6. INCOME TAX EXPENSE

Amounts recognised in profit or loss:

	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax for the period	6,915	1,599
– Over-provision of Hong Kong Profits Tax for prior year	(30)	–
– PRC Enterprise Income Tax for the period	849	347
Deferred tax:		
– Origination and reversal of temporary differences	1,615	(210)
Income tax expense	9,349	1,736

7. DIVIDENDS

Dividends recognised as distribution to owners of the Company during the period:

	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
2021 final dividend declared – HK10 cents and 2021 special dividend declared – HK10 cents (2020: 2020 interim dividend declared – HK10 cents)	260,425	121,890

During the six months ended 31 December 2021, a final dividend of HK10 cents and a special dividend of HK10 cents (six months ended 31 December 2020: an interim dividend of HK10 cents) per ordinary share, in an aggregate amount of HK\$260,425,000 (six months ended 31 December 2020: HK\$121,890,000), was declared in respect of the year ended 30 June 2021 (six months ended 31 December 2020: year ended 30 June 2020), which is paid or payable in cash.

No dividend has been proposed for the six months ended 31 December 2021 (Six months ended 31 December 2020: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic loss per share is based on the loss attributable to the owners of the Company of HK\$275,329,000 (2020: profit of the Company of HK\$1,177,467,000) and the weighted average number of 1,220,812,165 (2020: 1,218,893,914) ordinary shares in issue during the six months ended 31 December 2021.

(b) Diluted (loss)/earnings per share

During the six months ended 31 December 2021, the computation of diluted loss per share does not assume the conversion of the Company's outstanding warrants since their assumed exercise would result in a decrease in loss per share.

There were no dilutive potential ordinary shares in issue during the six months ended 31 December 2020. The diluted earnings per share is the same as the basic earnings per share for the six months ended 31 December 2020.

9. INTERESTS IN ASSOCIATES

	At 31 December 2021 HK\$'000 (Unaudited)	At 30 June 2021 HK\$'000 (Audited)
Interests in associates before impairment	2,383,786	2,404,381
Impairment losses recognised	(759,867)	–
	<u>1,623,919</u>	<u>2,404,381</u>
Fair value of listed investments	<u>1,386,806</u>	<u>2,601,366</u>

At the end of the reporting period, the management of the Group carried out review on impairment loss on the carrying amounts of its interests in Mount Gibson Iron Limited (“MGX”), Tanami Gold NL, Dragon Mining Limited and Mabuhay Holdings Corporation (“MHC”) by comparing their recoverable amounts (higher of value in use and fair value less costs of disposal) with its respective carrying amounts. The (impairment loss)/reversal of impairment loss on interests in associates recognised in the consolidated statement of profit or loss for the six months ended 31 December 2021, net, are as follows:

	Six months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
MHC	(6,891)	–
MGX	(752,976)	580,014
	<u>(759,867)</u>	<u>580,014</u>

10. TRADE AND OTHER RECEIVABLES AND RENTAL DEPOSITS

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Trade receivables designated at FVTPL (<i>note (i)</i>)	–	106,299
Other receivables and deposits	1,587	3,680
Rental deposits	324	578
Receivable from securities brokers	44,494	9,979
Prepayments	1,396	773
	<u>47,801</u>	<u>121,309</u>
Representing:		
Current assets	47,477	121,070
Non-current assets	324	239
	<u>47,801</u>	<u>121,309</u>

Except for the non-current rental deposits, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Note:

(i) Aging analysis

As of the end of the reporting period, the aging analysis of trade receivables designated at FVTPL based on invoice date, which approximates the revenue recognition date, is as follows:

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
0-30 days	–	106,299

The Group sells iron ore commodities under provisional pricing arrangements where final prices are based on prevailing spot prices over a quotation period after shipment to the customers. These trade receivables are designated at FVTPL on contract by contract basis.

The Group allows an average credit period of 90 days to its trade customers from commodity business. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits to it. The credit limits attributed to customers are reviewed regularly.

11. TRADE AND OTHER PAYABLES

	At 31 December 2021 HK\$'000 (Unaudited)	At 30 June 2021 HK\$'000 (Audited)
Trade payables designated at FVTPL (<i>note (i)</i>)	–	28,916
Other payables measured at amortised cost	<u>29,973</u>	<u>70,921</u>
	<u>29,973</u>	<u>99,837</u>

Note:

(i) Aging analysis

As of the end of the reporting period, the aging analysis of trade payables designated at FVTPL based on invoice date is as follows:

	At 31 December 2021 HK\$'000 (Unaudited)	At 30 June 2021 HK\$'000 (Audited)
0-30 days	<u>–</u>	<u>28,916</u>

The Group purchases iron ore commodities under provisional pricing arrangements where final prices are based on prevailing spot prices over a quotation period after shipment by the supplier, MGX. These trade payables are designated at FVTPL on contract by contract basis.

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 July 2021 (audited), ordinary shares of HK\$1.00 each	2,000,000,000	2,000,000
Increase in authorised share capital (<i>note (i)</i>)	<u>1,000,000,000</u>	<u>1,000,000</u>
At 31 December 2021 (unaudited), ordinary shares of HK\$1.00 each	<u>3,000,000,000</u>	<u>3,000,000</u>
Issued and fully paid, ordinary shares of HK\$1.00 each		
At 1 July 2021 (audited)	1,218,893,914	1,218,894
Exercise of warrants subscription rights (<i>note (ii)</i>)	<u>83,231,695</u>	<u>83,232</u>
At 31 December 2021 (unaudited)	<u>1,302,125,609</u>	<u>1,302,126</u>

Notes:

- (i) On 2 December 2021, the Company's authorised share capital increased from HK\$2,000,000,000 divided into 2,000,000,000 shares of HK\$1.00 each to HK\$3,000,000,000 divided into 3,000,000,000 shares of HK\$1.00 each by the creation of an additional 1,000,000,000 new shares.
- (ii) For the six months ended 31 December 2021, 83,231,695 warrants were exercised to subscribe for 83,231,695 ordinary shares of the Company at a consideration of approximately HK\$99,878,000, of which HK\$83,232,000 was credited to share capital and HK\$16,646,000 was credited to share premium.

Warrants

On 29 June 2021, the Company proposed a bonus issue of warrants to the qualifying shareholders of the Company on the basis of one warrant for every 5 shares held on the record date. A total of 243,778,782 warrants have been issued by the Company on 7 September 2021 pursuant to the bonus warrants issue, conferring the rights to the holders to subscribe in cash for 243,778,782 new shares of the Company at an initial exercise price of HK\$1.20 per new share (subject to adjustment) at any time during the period of thirteen months from 7 September 2021 to 6 October 2022 (both days inclusive).

During the six months ended 31 December 2021, registered holders of 83,231,695 warrants exercised their rights to subscribe for 83,231,695 ordinary shares in the Company at HK\$1.20 per share.

At 31 December 2021, the Company had outstanding 160,547,087 (At 30 June 2021: not applicable) warrants to be exercised at any time on or before 6 October 2022. Exercise in full of such warrants would result in the issue of 160,547,087 (At 30 June 2021: not applicable) additional ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

APAC Resources Limited (“**APAC**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) reported a net loss attributable to shareholders of the Company of HK\$275,329,000 for the six months ended 31 December 2021 (“**1H FY2022**”), compared with a net profit attributable to shareholders of the Company of HK\$1,177,467,000 for the six months ended 31 December 2020 (“**1H FY2021**”). This loss includes two large non-cash items that relate to an impairment loss in an associate of HK\$752,976,000 due to the fall in the value in use of Mount Gibson Iron Limited (“**Mount Gibson**”), partially offset by gains from change in fair value of HK\$342,584,000 due to the strong share price of Metals X Limited (“**Metals X**”). Excluding these non-cash items, we reported underlying segment profit of HK\$287,865,000, which was driven by strong performance in our Resource Investment division where we generated a segment profit of HK\$212,830,000.

Primary Strategic Investments

Our Primary Strategic Investments are in Mount Gibson (ASX: MGX) which is listed and operating in Australia and in the year ended 30 June 2018, we also acquired investments in Tanami Gold NL (“**Tanami Gold**”) (ASX: TAM). The net attributable loss from our Primary Strategic Investments for 1H FY2022 was HK\$105,467,000 (1H FY2021: Net profit of HK\$151,048,000).

Mount Gibson

Mount Gibson is an Australian producer of direct shipping grade iron ore products. Mount Gibson owns the Koolan Island mine off the Kimberley coast in the remote north-west of Western Australia. Sales of low grade material from and the Extension Hill/Iron Hill operations ended during the year ended 30 June 2021. Mount Gibson developed the Shine Iron Ore Project, located 85km north of Extension Hill, but suspended operations in November 2021 due to the drop in iron ore price and the high freight costs.

Ore sales at the Koolan Island Restart Project started in April 2019, and achieved commercial production in the June quarter 2019. The restart project had 21 million tonnes of 65.5% Fe reserves. Mount Gibson is partway through a planned elevated waste mining phase, which should allow for increased production from second half of the year ending 30 June 2022 (“**FY 2022**”) onwards.

Mount Gibson reported a net loss after tax of A\$66 million for 1H FY2022 from sales of 0.7 million tonnes. Operating costs remained high in 1H FY2022 as the company continues its elevated stripping phase at Koolan Island but expect this will decline in the six months ending June 2022 as ore production increases and waste stripping falls. Mount Gibson interim financials were impacted by a non-cash impairment for the carrying value of Shine of A\$40 million.

Sales guidance for FY 2022 is 2 million tonnes, of which 1.7 million tonnes is from Koolan Island.

Mount Gibson cash reserve, including term deposits and tradable investments, ended 1H FY2022 with A\$142 million or an equivalent of A\$0.12 per share.

The Platts IODEX 62% CFR China index fell significantly during 1H FY2022, from roughly US\$210 per dry metric tonne (“**dmt**”) in July down to US\$80 per dmt in November. It has partly recovered since the lows and is currently around US\$135 per dmt. The fall in iron ore price was driven by steel production cuts in China, partly to manage power consumption amid an increase in industrial activity, and to meet its target for zero growth in steel production in 2021. Iron ore prices were further hurt by slowing construction activity as the property market weakened. Recent signals for new infrastructure projects and improved construction activity has the potential to boost steel production and iron ore demand in 2022.

Tanami Gold

We currently own 46.3% of Tanami Gold.

Tanami Gold’s principal business activity is gold exploration. It holds 50% of the Central Tanami Project and has a cash balance of A\$38 million. In May 2021, Tanami Gold entered into a binding agreement with Northern Star Resources Limited (“**Northern Star**”) (ASX: NST) to establish a new 50-50 Joint Venture covering the Central Tanami Project. Northern Star agreed to pay A\$15 million cash to increase its ownership in the project from 40% to 50%, and going forward both parties will be jointly responsible for funding exploration and development activities. This agreement was completed and Tanami Gold paid A\$5 million cash to fund its share of the joint venture activity.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss comprise mainly the Group’s investments in Metals X and Resource Investment. As at 31 December 2021, APAC had significant investments representing 5% or more of the Group’s total assets in Shougang Fushan Resources Group Limited (“**Shougang Fushan**”) (HKEX: 639) and Metals X (ASX: MLX).

Significant Investments

Name of investee companies	Number of shares held	% of shares held	Investment cost HK\$'000	For the six months ended 31 December 2021			At 31 December 2021		
				Dividend income HK\$'000	Realised gain HK\$'000	Unrealised gain HK\$'000	Fair value gain HK\$'000	Carrying value HK\$'000	% of carrying value to the Group's total assets
Shougang Fushan	116,474,000	2.3%	190,709	19,838	449	41,469	41,918	307,491	6.5%
Metals X	179,596,319	19.8%	398,796	-	-	342,584	342,584	584,059	12.3%

Brief description of principal businesses of the investee companies of significant investments held by the Group as at 31 December 2021:

Name of investee companies	Principal businesses
Shougang Fushan	Coking coal mining, production and sales of coking coal products
Metals X	Exploration and development of base metals

Our investment in Shougang Fushan generated a fair value gain of HK\$41,918,000 with carrying value as at 31 December 2021 of HK\$307,491,000.

Shougang Fushan is a coking coal producer listed on The Stock Exchange of Hong Kong Limited. Its principal businesses are coking coal mining, production and sales of coking coal products in China. It has 3 mines located in China with reserves of 75 million tonnes of raw coking coal at 31 December 2020 and during six months ended 30 June 2021 Shougang Fushan produced 2.6 million tonnes raw coking coal. 2021 guidance is for 5.2 million tonnes of raw coking coal, in line with the production rate achieved in the first half of 2021.

At the time of writing its results for the year ending 31 December 2021 are not yet available but the company has released a positive profit alert indicating it will report a net profit after tax of not less than HK\$2.4 billion. The market capitalisation of Shougang Fushan in February 2022 is around HK\$12 billion, while its working capital reported at 30 June 2021 is HK\$4.8 billion and it generated EBITDA of HK\$1.4 billion in six months ended 30 June 2021.

Despite softening Chinese steel demand, restrictions on seaborne imports provided strength in Chinese domestic coking coal prices although prices moderated in late 2021 as domestic production started to respond. As part of its positive profit alert, Shougang Fushan noted that the average benchmark market selling prices of its group's clean coking coal products in 2021 was up approximately 78% year-on-year ("YoY").

Our other notable investment is in Metals X. The carrying value of Metals X as at 31 December 2021 amounted to HK\$584,059,000 (As at 30 June 2021: HK\$174,333,000) represented approximately 12.3% (As at 30 June 2021: 3.5%) of the total assets of the Group. In 1H FY2022, our investment in Metals X generated an unrealised gain of HK\$342,584,000 (1H FY2021: Gain of HK\$57,762,000) which was accounted for in profit or loss.

In July 2020, Mr. Brett Robert Smith, who is the Deputy Chairman and an Executive Director of the Company, was appointed to the board initially as a non-executive director and subsequently as an executive director of Metals X. Since his appointment, Metals X has sold its copper asset portfolio and spun out its nickel assets into a separate company, NICO Resources Limited. APAC provided a loan facility to refinance Metals X debt, and during 1H FY2022 the loan was fully repaid.

Metals X is focused on implementing its life of mine plan at Renison mine, including development of the high grade Area 5 deposit. During 1H FY2022, the Renison mine produced 2,415 tonnes of tin (net 50% basis) up 12% YoY, and the average realised tin price of A\$46,612 per tonne was up 104% YoY.

Tin prices continue to strengthen during 1H FY2022 as tin inventory remains low. During the period, Tin price ran up from US\$32,600 per tonne and ended 2021 around US\$40,000 per tonne and at time of writing is around US\$43,500 per tonne. Demand for semiconductors and solar PV remains strong. We remain comfortable with the medium term outlook for tin due to the lack of significant supply growth and new demand for tin from the growing electrical vehicle and energy storage industries.

Resource Investment

The investments in this division comprise mostly minor holdings in various natural resource companies listed on major stock exchanges including Australia, Canada, Hong Kong, the United Kingdom and the United States. Our investments focus on select commodities within several commodity segments, namely energy, bulk commodities, base metals and precious metals. Some of our positions are exploration or development stage companies and this section of the market is particularly sensitive to risk aversion, lower commodity prices, and the difficult financing markets.

Resource Investment posted a fair value gain of HK\$172,283,000 in 1H FY2022 (1H FY2021: HK\$272,142,000), which after accounting for segment related dividend and other investment income and expenses, resulted in a segment profit of HK\$212,830,000 (1H FY2021: HK\$336,641,000).

Our Resource Investment division includes the results of the two resource portfolios which were announced in August 2016.

Precious

Precious metals (majority gold exposure) generated a net fair value loss of HK\$2,496,000 in 1H FY2022. As at 31 December 2021, the carrying value of the Precious segment was HK\$467,600,000 (As at 30 June 2021: HK\$317,518,000). Our largest gold investment in the Resource Investment division is in Northern Star (ASX: NST) which generated a fair value loss of HK\$11,160,000 with carrying value as at 31 December 2021 of HK\$110,433,000. We also own Newmont Corporation (NYSE: NEM) which generated a fair value gain of HK\$1,416,000 with carrying value as at 31 December 2021 of HK\$29,018,000. Other notable fair value gains include HK\$7,207,000 generated from our investment in Great Bear Resources Ltd. (TSX: GBR).

Northern Star is the second largest gold company in Australia and owns high grade underground mines in Western Australian and Alaska. In 1H FY2022 its production was 779,000 ounces of gold, and it generated free cash flow of A\$177 million. In FY 2022 its production target is 1,600,000 ounces of gold.

The gold price has been range bound in 1H FY2022, trading in a range of US\$1,740 per ounce to US\$1,820 per ounce, capped by growing expectations for rate hikes in 2022.

Bulk

Bulk commodities segment generated a fair value gain of HK\$138,977,000 in 1H FY2022 despite variable iron ore and coal prices. As at 31 December 2021, the carrying value was HK\$421,215,000 (As at 30 June 2021: HK\$490,627,000). Our largest investment in this segment during 1H FY2022 is in Shougang Fushan (HKEX: 639), which generated a fair value gain of HK\$41,918,000 and had a carrying value as at 31 December 2021 of HK\$307,491,000.

Base Metals

Base Metals segment (a mix of copper, nickel and zinc companies) delivered a fair value loss of HK\$10,512,000 in 1H FY2022. The copper, nickel and zinc prices increased by 5%, 16% and 24% respectively. The Base Metals segment includes our investment in China Hongqiao Group Limited (HKEX: 1378) which had a carrying value as at 31 December 2021 of HK\$52,672,000.

Energy

The Energy segment (mix of oil and gas, uranium and renewables) had a fair value gain of HK\$13,026,000 in 1H FY2022. Our significant Energy investments include National Atomic Company Kazatomprom JSC (LSE: KAP), which generated a fair value gain of HK\$6,265,000 and had a carrying value as at 31 December 2021 of HK\$68,779,000.

Others

We also have a fair value gain of HK\$33,288,000 from the remaining commodity (diamonds, manganese, rare earths, lithium and mineral sands among others) and non-commodity investments in 1H FY2022 and had a carrying value as at 31 December 2021 of HK\$160,689,000 (As at 30 June 2021: HK\$117,161,000). This includes our investment in American Lithium Corp. (TSE: LI), which generated a fair value gain of HK\$7,192,000 and had a carrying value as at 31 December 2021 of HK\$13,032,000.

Commodity Business

Our iron ore offtake at Koolan Island recommenced as the mine restarted operations, and we continue to look for new offtake opportunities across a range of commodities. For 1H FY2022, our Commodity Business generated a segment profit of HK\$50,192,000 (1H FY2021: HK\$28,658,000).

Principal Investment and Financial Services

The Principal Investment and Financial Services segment, which covers the income generated from loan receivables, loan notes, convertible notes and other financial assets. For 1H FY2022, this segment generated a segment profit of HK\$24,843,000 (1H FY2021: HK\$58,249,000).

Money Lending

The Group engaged in money lending activities under the Money Lenders Ordinance of Hong Kong. For 1H FY2022, the revenue and profits generated from money lending formed part of results of the Principal Investment and Financial Services segment.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2021, our non-current assets amounted to HK\$2,568,937,000 (As at 30 June 2021: HK\$2,755,862,000) and net current assets amounted to HK\$1,774,214,000 (As at 30 June 2021: HK\$2,076,671,000) with a current ratio of 5.2 times (As at 30 June 2021: 20.7 times) calculated on the basis of its current assets over current liabilities. Included in non-current assets and current assets are loan notes of HK\$3,940,000 (As at 30 June 2021: HK\$3,924,000) and loan receivables of HK\$375,357,000 (As at 30 June 2021: HK\$493,850,000).

As at 31 December 2021, we had borrowings (excluding lease liabilities) of HK\$118,771,000 (As at 30 June 2021: Nil) and had undrawn banking facilities amounting to HK\$433,942,000 secured against certain term deposits or trading securities of the Group upon utilisation of such banking facilities. As at 31 December 2021, we had a gearing ratio of nil (As at 30 June 2021: Nil), calculated on the basis of net debt over equity attributable to owners of the Company. For this purpose, net debt is defined as borrowings (excluding lease liabilities) less cash and cash equivalents.

Foreign Exchange Exposure

For the period under review, the Group's assets were mainly denominated in Australian Dollars while the liabilities were mainly denominated in Australian Dollars, United States Dollars and Hong Kong Dollars. There would be no material immediate effect on the cash flows of the Group from adverse movements in foreign exchange for long term investments. In addition, the Group is required to maintain foreign currency exposure to cater for its present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. In light of this, the Group did not actively hedge for the risk arising from the Australian Dollars denominated assets. However, the Group will closely monitor this risk exposure as required.

Pledge of Assets

As at 31 December 2021, the Group's bank deposits of nil (As at 30 June 2021: HK\$18,266,000) were pledged to banks to secure various trade and banking facilities granted to the Group.

Employees and Emolument Policy

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions and individual performance with its remuneration policies reviewed on a regular basis. All employees are entitled to participate in the Group's benefit plans including medical insurance and pension fund schemes including the Mandatory Provident Fund Scheme (subject to the applicable laws and regulations of the People's Republic of China (the "PRC") for its employees in the PRC).

As at 31 December 2021, the Group, including its subsidiaries but excluding associates, had 15 (As at 30 June 2021: 15) employees. Total remuneration together with pension contributions incurred for 1H FY2022 (excluding directors' emoluments of the Company) amounted to HK\$22,161,000 (1H FY2021: HK\$19,244,000).

Principal Risks

The Group adopts a comprehensive risk management framework. Policies and procedures are developed, regularly reviewed and updated to enhance risk management and react to changes in market conditions and the Group's business strategy. The Audit Committee reviews the Group's policies and scrutinises that management has performed its duty to have effective risk management and internal control systems necessary for monitoring and controlling major risks arising from the Group's business activities, changing external risks and the regulatory environment, and reports to the Board on the above.

Financial Risk

Financial risk includes market risk, credit risk and liquidity risk. Market risk concerns that the value of an investment will change due to movements in market factors and which can be further divided into foreign currency risk, interest rate risk and other price risk. Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Liquidity risk concerns that a given security or asset cannot be traded readily in the market to prevent a loss or make the required profit.

Operational Risk

The Group faces various operational risks which are concerned with possible losses caused by human factors, inadequate or failed internal processes, systems or external events. Operational risk is mitigated and controlled through establishing robust internal controls, proper segregation of duties and effective internal reporting.

The business and operating line management are responsible for managing the operational risks of their business units on a day-to-day basis. Each department head has to identify risks, evaluate the effectiveness of key controls in place and assess whether the risks are effectively managed. Independent monitoring and reviews are conducted by the internal audit team which reports regularly to the respective senior management and the Audit Committee.

Bonus Issue of Warrants

As disclosed in the announcement of the Company dated 29 June 2021 (the “**Announcement**”) and the circular of the Company dated 27 July 2021 (the “**Circular**”), on 29 June 2021, the Board proposed to make a bonus issue of warrants to qualifying shareholders of the Company on the basis of one warrant for every five shares held on the record date. Each warrant entitles the holder to subscribe in cash for one new share of the Company at an initial subscription price of HK\$1.20 (subject to adjustment) at any time during the period from the date of issue to 6 October 2022 (both days inclusive). The warrants are listed on The Stock Exchange of Hong Kong Limited (Warrant code: 1074) and traded in board lots of 12,000 units each.

On 7 September 2021, a total of 243,778,782 units of warrants were issued by the Company to qualifying shareholders of the Company. As at 31 December 2021, a total of 83,231,695 units of warrants have been exercised and 160,547,087 units of warrants are outstanding. Subscription monies received of approximately HK\$16,849,000 have been utilized for investment in companies involved in the natural resources sector as its intent disclosed in the Announcement and the Circular and approximately HK\$83,029,000 remained un-used at 31 December 2021 and are expected to be utilized up to 31 December 2023 for investments in companies involved in the natural resources sector, general working capital of the Group and operating funds for the Group’s commodity trading business.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

On 13 August 2021, the Group completed an acquisition of 25.83% equity interests in Dragon Mining Limited (“**Dragon Mining**”) for a consideration of approximately HK\$102,582,000. Dragon Mining is a company incorporated in Western Australia with its shares listed on The Stock Exchange of Hong Kong Limited (HKEX: 1712). The principal activities of Dragon Mining involve the operation of gold mines and processing facilities in Finland and Sweden.

Save as disclosed in this announcement, during the six months ended 31 December 2021, the Group did not hold any other significant investments nor have any material acquisitions or disposals of subsidiaries, associates and joint ventures. Save as disclosed in this announcement, as at 31 December 2021, the Group did not have any plans for material investments or capital assets.

Capital Commitments

As at 31 December 2021, the Group had no material capital commitments contracted but not provided for.

Contingent Liabilities

As at the date of this announcement and as at 31 December 2021, the Board is not aware of any material contingent liabilities.

Impact of Novel Coronavirus Outbreak to the Group

The COVID-19 spread globally during 2020 and 2021. When COVID-19 spread to major western economies, the global economy was once on the brink of paralysis in March 2020. Fortunately, global central banks and governments have swiftly adopted aggressive fiscal and monetary policies to bolster the economies and global financial liquidity. In 2021, global equity markets have rebounded strongly. Hong Kong is now in its 5th wave of the COVID-19 pandemic and is still impacted by new COVID-19 related lockdowns and its dynamic zero covid strategy.

In preparing the consolidated financial statements, the Group applies fair value to measure its financial assets at fair value through profit or loss and, if applicable, to estimate impairment loss of the Group's interests in associates and loan receivables. Since 2020, provision of impairment loss of the Group's interests in associates and the fair values of the Group's financial instruments are subject to fluctuations due to the COVID-19 outbreak as well as other global economic and geopolitical factors. The Group will keep monitoring the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group, in particular the impact of the fair value of its financial instruments and the recoverable amount of the interests in associates and loan receivables. Save as disclosed in this announcement, the COVID-19 outbreak did not have material impacts on our Commodity Business, liquidity positions, working capital sufficiency and capital commitments for 1H FY2022.

COVID-19 Pandemic Response

The Group has continued to implement certain protocols below to minimise the associated risks to employees while ensuring a safe environment for operations to continue as usual:

- measures to maximise social distancing and staff protection within the offices;
- meetings are held off-site or by conference calls as far as possible;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;

- self-isolation following outbound travel, development of symptoms, or interaction with a confirmed case of COVID-19 and do coronavirus test as and when necessary at the Company's cost;
- increased inventory of face mask, hand sanitiser and hygiene supplies; and
- increased focus on cleaning and sanitation.

Important Events Affecting the Group after the Reporting Date

There are no important events affecting the Group which have occurred after the end of financial period for the six months ended 31 December 2021 and up to the date of this announcement.

Interim Dividend

A final dividend of HK10 cents per share and a special dividend of HK10 cents per share in an aggregate amount of approximately HK\$260,425,000 were declared for the year ended 30 June 2021 and an amount of approximately HK\$260,425,000 was payable in cash during the six months ended 31 December 2021. No dividend has been proposed for the six months ended 31 December 2021 (Six months ended 31 December 2020: Nil).

Company Strategy

The Board believes that the performance of the equity investments will be dependent on market sentiment which is affected by factors such as commodity prices, interest rate movements, geo-political conditions and performance of the macro economy. In order to mitigate the associated risks, the Group will review its investment strategy regularly and take appropriate actions whenever necessary in response to changes in market situation. In addition, the Group will also seek potential investment opportunities with an aim to maximise value for the shareholders.

Forward Looking Observations

We are cautious on the outlook for equities in 2022 given the backdrop of the US Federal Reserve lifting rates, although the recent start of China's easing cycle should provide support for commodity demand. As an overhang from COVID-19 disruptions, we see opportunities in select commodities and aim to be nimble particularly given the risks from geopolitical issues.

We remain selective with our investments in the near term, and continue to look for high quality opportunities which will generate attractive returns over the long run. Our mining and energy investment portfolios are the platform for future mining and energy investments. Our largest investment is in Mount Gibson which is focused on ramping up production at the Koolan Island mine as it completes its large waste stripping program in the coming year, which will position it for strong free cash flow generation in coming years.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2021, the Company has applied the principles of, and fully complied with, the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim results for the six months ended 31 December 2021. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants as well as obtaining reports from management. The Audit Committee has not undertaken independent audit checks.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2021.

By Order of the Board
APAC Resources Limited
Arthur George Dew
Chairman

Hong Kong, 28 February 2022

As at the date of this announcement, the directors of the Company are:

Executive Directors

Mr. Brett Robert Smith (*Deputy Chairman*) and Mr. Andrew Ferguson (*Chief Executive Officer*)

Non-Executive Directors

Mr. Arthur George Dew (*Chairman*) (*Mr. Wong Tai Chun, Mark as his alternate*), Mr. Lee Seng Hui and Ms. Lam Lin Chu

Independent Non-Executive Directors

Dr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis and Mr. Wang Hongqian

* *For identification purpose only*